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# BUSINESS CONDITIONS

Vol. 7 No. 1

January, 1934

	ALEXANDER HAMILTON INSTITUTE	BABSON STATISTICAL ORGANIZATION	BROOKMIRE ECONOMIC SERVICE	THOMAS GIBSON
GENERAL OUTLOOK	Business is now in a position to renew its upward trend. Consequently, if the natural course of events is given full play, the volume of business in 1934 should exceed that of 1933 (Dec. 30).	Outlook is for better business and higher markets. Uncertainties still exist with respect to foreign trade, banking policy, excess capacity of production facilities and current large inventories of raw materials (Jan. 15).	An expansion has begun which will become more pronounced as the first half of the year progresses (Jan. 15).	Leading indexes of trade continue to show gains, affording evidence that "we are on the way" (Jan. 5).
MONEY AND CREDIT	Reporting member banks show that, while credit has been curtailed during past year, substantial progress has been made in improving deposit-loan ratio and in maintenance of reserves. (Dec. 30).	President Roosevelt's silver proclamation means more than "doing something for silver." The President's announcement has major importance because it is one more step toward moderate inflation (Jan. 1).	Experience of five foreign countries furnishes conclusive proof that wrecked government credit is not an inevitable result of depreciation of currency in terms of gold (Jan. 15).	President's ratification of London silver agreement is expected to act as a curb on extreme inflationists in Congress, as a small subsidy for domestic silver miners, and as stimulant for world price of silver (Dec. 22).
SECURITY MARKETS	A rising trend for bond market still constitutes one of most hopeful signs for business and for the more popular division of the security market (Jan. 18).	Bonds are working consistently upward. Industrials should do well as corporate earnings increase (Jan. 15).	Irregularity in business and uncertainties concerning legislative problems may cause further hesitation in security prices but major trend is still up (Jan. 8).	Tax selling has been acting as a repressive market influence, but this is about out of the way now, and stage appears set for decisive upturn in security prices (Dec. 29).
PRODUCTION	Gain in manufacturing activity which occurred in 1933 should be extended in 1934 (Dec. 30).	In his budget message the President's estimates of receipts are predicted on Federal Reserve Board average index of industrial production of 85 for the calendar year 1934 (Jan. 15).	In construction of public works projects, it is estimated that for each man employed there will be required two additional workers in industry (Dec. 30).	The "prince or pauper" industries will participate more liberally in the improvement during coming months than the "bread and butter" industries (Jan. 5).
DISTRIBUTION	Current trade volume index resumed its upward trend, rising to 106.0 from 104.8 in the previous month and 106.6 two months ago (January).	Holiday buying reduced stocks of goods to a very low margin in many lines (Jan. 15).	Estimates of incomes for next six months show sufficient gains over last year to justify belief that retail trade will show marked improvement in these months (Dec. 30).	Railroad freight carloadings recorded the very substantial gain of 14% in the first week of 1934, and are thus exceeding earlier estimates (Jan. 12).
BUILDING	A large number of public works contracts will be completed in near future and construction of this character in 1934 will show a considerable gain over 1933 (Dec. 30).	It is likely that residential building will not be an item of great volume though activity in the small house field can be expected (Jan. 15).	Building contracts in December rose to new high for year in spite of handicap which this season of the year ordinarily places on building industry (Jan. 8).	New construction contracts let in December were about three times as large as in the same month last year (Jan. 5).
AGRICULTURE	The value of all crops in 1933 showed an increase of 41.6% over 1932 (Jan. 6).	Farmers' income for the current crop year should exceed the preceding year by 40% or 50% (Jan. 15).	Big problem now is to effect sufficient adjustment of agricultural production to permit absorption of accumulated surplus (Jan. 8).	Crop restrictions will limit volume of agricultural output during 1934 (Dec. 29).
COMMODITY PRICES	There is a possibility of a recession in commodity prices during 1934 unless more effective inflationary measures are adopted (Dec. 30).	Whatever may be the next monetary move, it is probable that deflation is going to be accomplished in one way or another (Jan. 8).	Prices have been lifted internally by depreciation of the dollar, but foreigners are able to buy our commodities at low prices except where their currencies have likewise depreciated sharply (Dec. 25).	Manufacturers are "mixing" low cost inventories with higher cost purchases and giving retailer the benefit thereof. Time will soon come when general price advance will be necessary (Jan. 12).
FOREIGN TRADE AND CONDITIONS	Economic, financial and political conditions in most foreign countries at beginning of 1934 indicate clearly that depression has run its course and that practically every country is on road to recovery (Jan. 6).	Possibilities of further uprisings in Cuba make settlements of troubles look far distant (Jan. 15).	Statistical evidence indicates that Canada shared generously in the betterment of conditions during the past year (Jan. 15).	From London comes news that ban on foreign financing is about to be lifted and it may well be that some \$5,000,000,000 of "scared" funds now held there will be utilized for American financing (Dec. 29).
LABOR AND WAGES	Factory payrolls decreased sharply in November from the previous month, bringing to a halt the upward trend of the previous seven months (Jan. 6).	Employment and payroll trends should soon resume the upward movement which was temporarily interrupted in November (Jan. 8).	Upturn in next six months will create larger consumer purchasing power through larger payrolls (Dec. 30).	Although new construction contracts continue to gain, actual application of labor to materials in this field is naturally delayed by time element of perfecting plans (Dec. 22).

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# IONS AND FORECASTS

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January, 1934

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ION	SILBERLING RESEARCH CORPORATION	CLEVELAND TRUST COMPANY	GUARANTY TRUST COMPANY	NATIONAL CITY BANK
ade continue ing evidence y" (Jan. 5).	One of most potent forces to be considered in economic outlook for 1934 is that emanating from enlarged effective demand on the part of farm population for products of industry (Jan. 13).	For the first time in the long depression, a new year has begun with general business activity at a higher level than it was at the beginning of the previous year (Jan. 15).	Business appears to lack the full measure of confidence that is essential to enduring economic revival (Dec. 26).	Halting point has been reached in the decline in business which has been under way since July (January).
on of London ected to act flationists in subsidy for , and as a ice of silver	The somewhat coordinate silver experiment has no direct inflationary potency whatever and will probably resemble in net effect the abortive silver experiments of 1878-1890 (Dec. 23).	Efforts to stimulate business and cause a general price advance through monetary manipulation have had little success (Jan. 15).	If privilege is fully exercised, annual coinage of silver in this country will amount to only about \$13,900,000, a very small sum in comparison with total money in circulation (Dec. 26).	Aside from announcement with regard to silver, principal developments in money situation were a firmer trend in interest rates, a seasonal expansion of currency, and an abatement of marking up buying price for gold (January).
en acting as fluence, but e way now, for decisive es (Dec. 29).	Legal restrictions which have been thrown about issue of long-term securities will not greatly impair necessary and sound capital flotations, but will cause embarrassment in precarious situations (Dec. 23).	The investment valve of the business pump is almost closed, and seems to be stuck tight (Jan. 15).	Official statements indicate that certain modifications designed to overcome weaknesses in the Securities Act are under consideration (Dec. 26).	The usefulness of capital markets in this country has been impaired by certain features of Securities Act which should have the attention of Congress (January).
"er" industries erally in the ning months utter" indus-	No major or enduring boom conditions in volume of production are in sight, because of discrepancies in price system and slow progress in adjusting aggregate debt burden (Dec. 25).	At about 30% below normal the volume of industrial production is approximately at the level at which it was late in 1931 (Jan. 15).	Since corrective movement occurred business appears to have settled down to a steady, but slow, tendency toward betterment (Dec. 26).	Not much expansion in 1934 is to be hoped for in industries making consumption goods. Opportunities are in the heavy industries where limits to expansion literally do not exist (January).
loadings re- tial gain of of 1934, and er estimates	Not much attention is as yet being directed toward the fact that supplies of goods even in retail distribution, to say nothing of basic materials (especially metals), are still excessive (Dec. 30).	Considerable portion of recent advances in wholesale and retail trade is due to farm bonus payments and wage disbursements of emergency relief projects (Jan. 15).	Carloadings have followed an upward trend; sales of chain stores and mail-order houses have been on the increase (Dec. 26).	Reports of Christmas retail trade have surpassed expectations, and are extremely heartening to industries which have been curtailing since Summer for want of a better consumer demand (January).
contracts let in three times e month last	Almost all of the recent gain in contract awards is in non-residential construction and more particularly in that phase of the industry directly stimulated by publicly financed projects (Dec. 30).	There was only a comparatively slight decrease in the number of unemployed construction workers during 1933 (Jan. 15).	Index of construction activity showed a further slight advance (Dec. 26).	Trend of building operations will greatly affect all business activity during 1934 (January).
limit volume during 1934	In the President's recent message to Congress, nothing was said about general inflation or elevating of the general price level but there was emphasis upon improving level of farm prices as against other prices (Jan. 13).	Bonus payments to farmers have increased activity in agricultural areas (Jan. 15).	While agricultural problem is still far from solved and farm prices remain sharply out of line with general price level, there was a pronounced improvement in farmers' position during 1933 (Dec. 26).	Taking farm situation as a whole, difficulties for the administrators of the adjustment program are accumulating (January).
"mixing" low higher cost retailer the ill soon come ance will be	There is a distinct possibility that more drastic acreage curtailment plan can readily be applied along lines of compulsory compliance if present voluntary agreements prove inadequate (Jan. 13).	Rising prices are to be welcomed when they are symptoms of increasing production and employment, but not if brought about at expense of greater production (Jan. 15).	Stabilization plans are designed solely to achieve stability of general price level and should not be confused with price-fixing schemes for specific commodities (Dec. 26).	Question still persists whether rise in retail prices, and further advances that are to be expected, can be paid by consumers (January).
s news that g is about to well be that of "scared" ill be utilized (Dec. 29).	Growing portents of military activity in various parts of the world and particularly in the Orient suggest a new source of demand for surplus products (Jan. 13).	Since upturn of wages began pay rates of skilled and semi-skilled men have made smallest proportional advance and those of women workers the largest (Jan. 15).	Total foreign trade of fifty-two leading nations during the third quarter of 1933 showed an increase of 0.6% as compared with that in the preceding quarter (Dec. 26).	Without a common standard of value to which the principal monetary systems are related, international business relations fall into chaos (January).
struction con- n, actual ap- materials in delayed by ecting plans	It will require enormous new government outlays, not yet approved, to produce another rise in the total earnings of the urban population similar to what has already occurred this year (Dec. 30).		Employment is greater and further gains are indicated when expedites become more thoroughly coordinated with our economic structure (Dec. 26).	Number of workers employed in November was 30% larger than in March or a year ago, and payrolls in the manufacturing industries were up 50% (January).